

Budget 2017

Curbing Prime Ministerial “slush funds” a national priority

By

Liew Chin Tong

DAP National Political Education Director and MP for Kluang

Dr. Dzulkefly Ahmad

Strategy Director,

Parti Amanah Negara

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Making a choice

Budgeting is about making choices and setting priorities.

Budget 2017, which will be presented on 21st October 2016, is set against an increasingly difficult and slowing global economy that inevitably means less corporate taxes for the government. Oil prices plunged since October 2014 and will not return to its erstwhile levels for years if not decades, which also means a lot less oil revenue for the government.

Domestic consumption has been depressed since the introduction of Goods and Services Tax (GST), eating into the disposable income of ordinary Malaysians. At the same time, sharp depreciation of the *ringgit* brought an imported inflation, which further depressed domestic consumption. It is by now clear that the government is collecting less personal and corporate income taxes, as well as GST.

In short, there is going to be a shortfall in revenue and a need to make difficult choices.

Broadly, the government has the following choices:

First, raise taxes, but at the risk of irking more Malaysians and further depressing domestic consumption in an already slow-growth environment;

Second, borrow more, with a risk of further expanding the already large government debts and contingency liability;

Third, cut spending. Two questions arise: a) if the government cut too much spending at once, the risk is that the economy may enter into sharper decline; b) what to cut and what to keep?

Choices have to be made.

There are already talks of further cuts to health, education and welfare spending. Yet in time of high household debts, depressed income and slow growth, public health, public education and welfare are in greater demand. To cut such expenditure in time of difficulties inflict human suffering that Malaysia could avoid as a nation. It is in

such time that we should cut excesses and put whatever resources available into public health, public education and welfare.

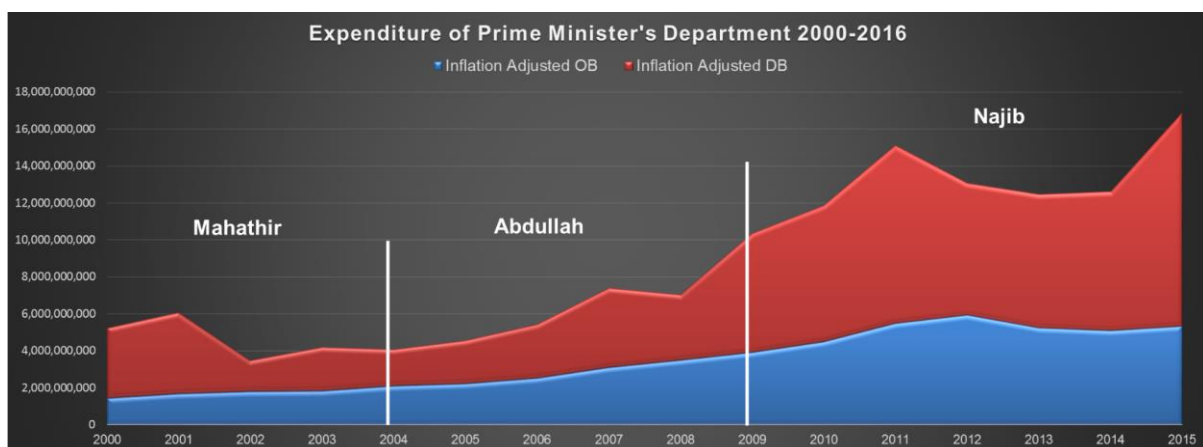
We would like to present an immediate and specific “low hanging fruit”: discretionary development allocation to the Prime Minister, which we otherwise call “slush funds”. Budgets 2014, 2015, 2016 allocated at least RM7 billion for such purposes. Such allocations were virtually non-existent before Dato’ Seri Najib Razak’s time as Prime Minister.

Compare to most other budget items, these discretionary allocations provide scant details of their actual intents and can be utilised virtually by a stroke of pen of the Prime Minister, with very little scrutiny. It is a gross abuse of budget processes to have such items and we call for immediate abolishment of such items.

Prime Minister's Department spending doubled under Najib

Prime Minister’s Department in Malaysia is now a super ministry with nine ministers, three deputy ministers and 51 divisions.

Our study does not include the budget allocation to Public Service Department, the Attorney General’s Chambers and Malaysian Anti-Corruption Commission, which broadly sit within the broader Prime Ministerial purview. Coincidentally, The Edge Financial Weekly’s Chua Sue-Ann conducted a similar study (October 3, 2016 issue). Her study included the figures for the above listed entities thus showing an even larger Prime Minister’s Department than this study.



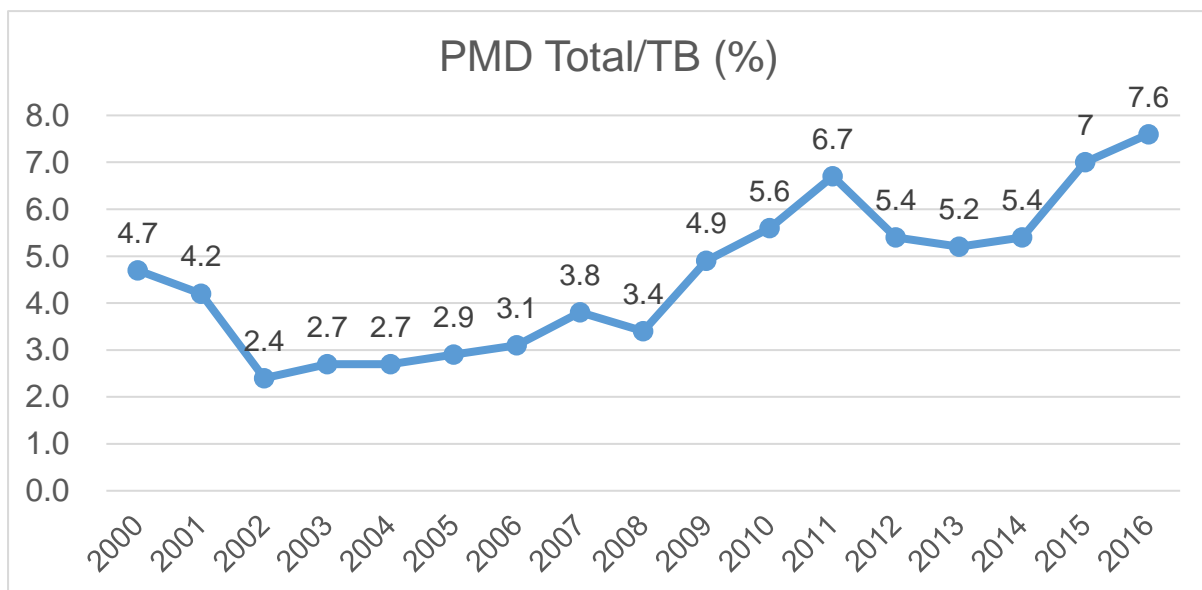
To show a fair picture, inflation adjusted figures (2010 prices) are used. The 2015 and 2016 figures are estimates while the earlier ones are actual expenditure.

And, to be fair, the Prime Minister’s Department edifice is already large during Tun Dr. Mahathir Mohammad’s tenure, if compared to offices of Prime Ministers and Presidents in most countries.

But Najib made the Presidential Prime Ministership largest ever in Malaysia's history. The Prime Ministerial edifice is now a threat competing for scarce resources with public education, public health and welfare.

The size of total budget has doubled between 2000 (RM 111 billion) and 2016 (RM 267 billion). But the size of Prime Minister's Department has increased by four folds in these years from RM 5.2 billion in 2000 to RM20 billion in 2016.

The sharpest increase happened under the watch of Najib. Prime Minister Abdullah Badawi's final year in office (2008) provided RM 7 billion for Prime Minister's Department. It spiked to RM10 billion in 2009 and RM 20 billion in 2016. In other words, the figures doubled under Najib's watch.

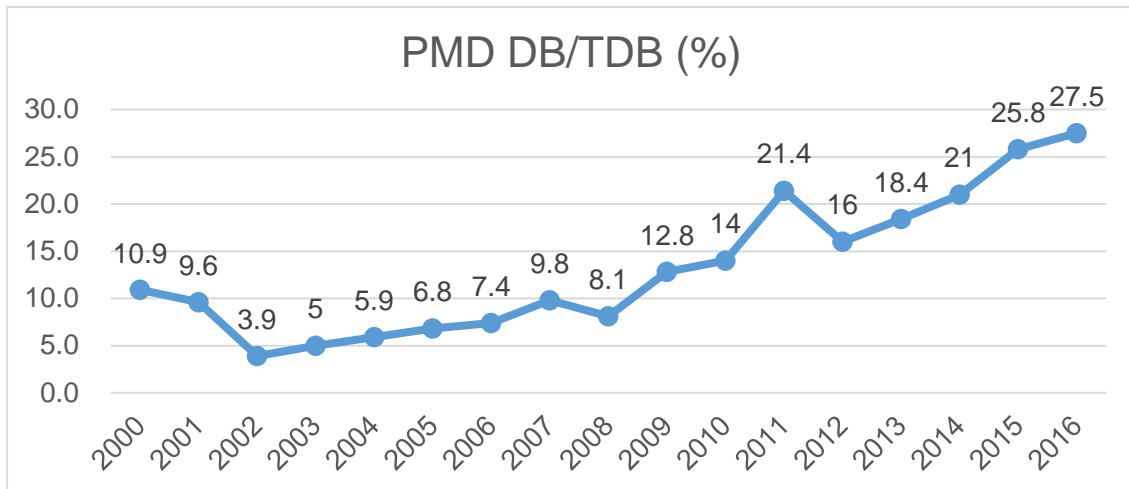


The Prime Minister's Department allocations were less than 4 percent of total budget between 2002 and 2008. Najib's first year as Prime Minister, 2009, saw the Department taking 4.9 percent of total budget allocation for the year. Between 2010 and 2015, the Department took between 5 and 7 percent of total budget allocation of the year. In Budget 2016, the Prime Minister's Department took a huge 7.6 percent of total budget allocation, at the expense of other ministries and priorities.

Massive Development Budget

The Prime Minister's Department has a huge development budget under Prime Minister Najib, against the backdrop of an overall shrinking development allocation.

In Budget 2016, only 19 percent is allocated for development. But in that squeezed development budget, Prime Minister's Department took 27.5 percent, again, at the expense of other priorities.

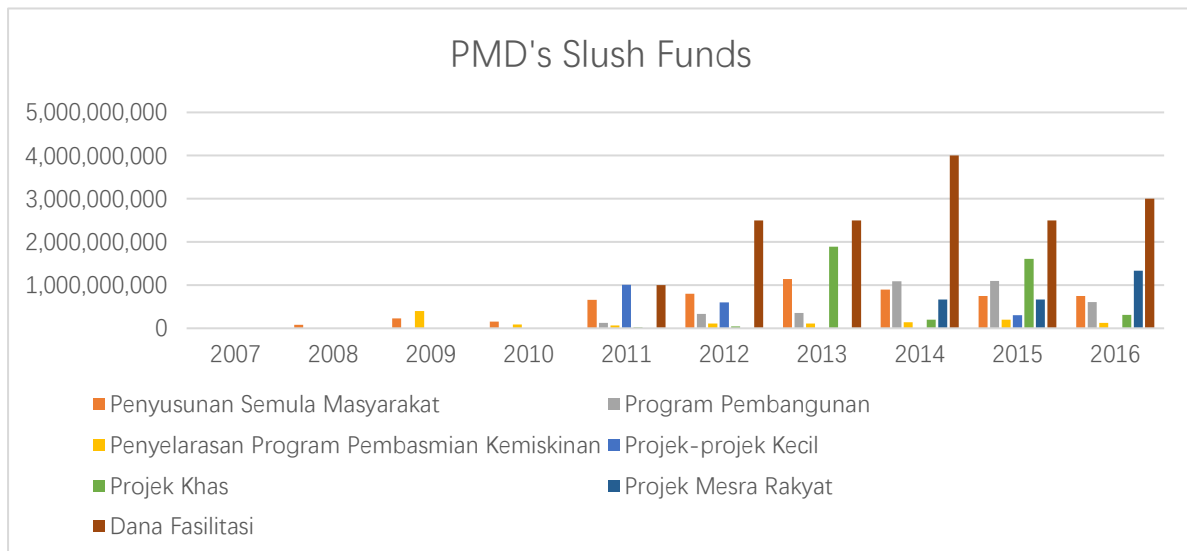


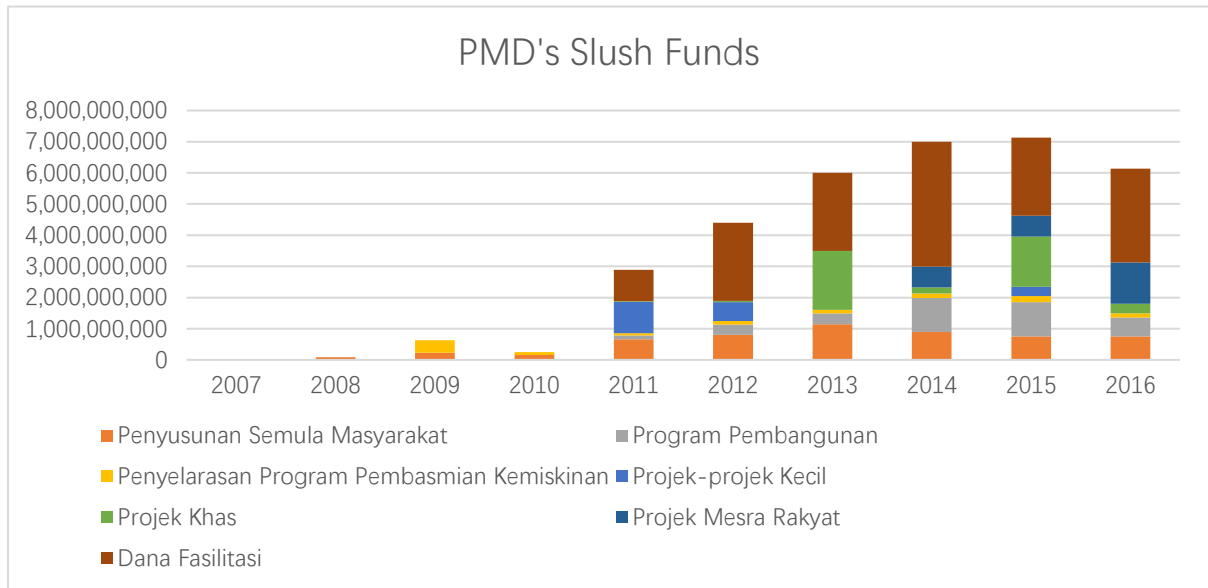
“Slush funds”

The discretionary development allocations or “slush funds” hardly existed before Najib’s premiership.

Anggaran Perbelanjaan Persekutuan (Estimates of Federal Expenditure) shows that several ambiguous items in the Prime Minister’s Department development estimates were introduced after Najib assumed the office of Prime Minister in 2009, namely **Program Pembangunan** (Development programme), **Penyelarasan Program Pembasmian Kemiskinan** (Coordination of Eradication of Poverty programme), **Projek-projek Kecil** (Small projects), **Projek Khas** (Special projects), **Projek Mesra Rakyat** (People-friendly projects) and **Dana Fasilitasi** (Facilitation funds).

The Prime Minister has absolute discretionary power on how to spend the money. Each of the items involved multi-million *ringgit* and billion *ringgit* in total that details of expenditure were not avail to Member of Parliaments, let alone public. Given the fact that Parliament has had been weakened by the ruling party over the years, the expenditure of the ambiguous items are not checked nor audited by relevant authorities. Slush fund is the best description of it.





Butiran	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total (RM)
104 Penyusunan Semula Masyarakat	1,105,000	80,000,000	231,500,000	158,090,000	660,000,000	800,000,000	1,140,000,000	900,000,000	750,000,000	750,000,000	5,470,695,000
108 Program Pembangunan					126,000,000	335,500,000	353,090,000	1,087,245,300	1,100,000,000	610,001,100	3,611,836,400
71000 Penyelarasan Program Pembasmian Kemiskinan			400,000,000	90,400,800	64,950,000	112,550,000	111,554,000	138,000,000	198,172,900	127,782,100	1,243,409,800
93000 Projek-projek Kecil					1,009,761,600	600,000,000			300,000,000		1,909,761,600
93500 Projek Khas	10	10			23,870,300	47,000,000	1,892,075,800	202,862,600	1,610,828,700	309,439,800	4,086,077,220
93600 Projek Mesra Rakyat								665,000,000	670,000,000	1,332,000,000	2,667,000,000
97000 Dana Fasilitasi					1,000,000,000	2,500,000,000	2,500,000,000	4,000,000,000	2,500,000,000	3,000,000,000	15,500,000,000
Total (RM)	1,105,010	80,000,010	631,500,000	248,490,800	2,884,581,900	4,395,050,000	5,996,719,800	6,993,107,900	7,129,001,600	6,129,223,000	

Effectively, these funds are money for the cronies. We therefore call for the abolishment of such discretionary development allocations and a curb on overall spending by the Prime Minister's Department.

Appendix

Prime Minister's Department Actual Expenditure										
Prime Minister	Year	Operating Budget (RM)	Inflation Adjusted OB	Development Budget (RM)	Inflation Adjusted DB	Total (RM)	Inflation Adjusted Total	Total Budget (RM)	Inflation Adjusted Total Budget	PMD Total/TB (%)
Tun Dr Mahathir Mohamad	2000	1,168,699,991	1,454,043,578	3,053,384,394	3,798,882,521	4,222,084,385	5,252,926,099	89,805,769,730	111,732,269,806	4.7
Tun Dr Mahathir Mohamad	2001	1,385,000,000	1,699,081,916	3,579,000,000	4,390,623,954	4,964,000,000	6,089,705,870	116,801,789,150	143,289,391,815	4.2
Tun Dr Mahathir Mohamad	2002	1,495,000,000	1,801,458,969	1,421,000,000	1,712,289,763	2,916,000,000	3,513,748,732	119,492,408,474	143,987,070,897	2.4
Tun Dr Mahathir Mohamad	2003	1,561,000,000	1,860,118,420	1,980,000,000	2,359,407,093	3,541,000,000	4,219,525,514	131,960,356,935	157,246,566,751	2.7
Tun Abdullah Ahmad Badawi	2004	1,791,000,000	2,103,961,628	1,705,000,000	2,002,933,878	3,496,000,000	4,106,895,506	128,260,911,647	150,673,387,187	2.7
Tun Abdullah Ahmad Badawi	2005	1,955,000,000	2,229,257,314	2,074,000,000	2,364,951,238	4,029,000,000	4,594,208,552	136,838,495,817	156,034,893,955	2.9
Tun Abdullah Ahmad Badawi	2006	2,306,000,000	2,537,898,632	2,656,000,000	2,923,095,736	4,962,000,000	5,460,994,368	159,353,030,366	175,378,073,645	3.1
Tun Abdullah Ahmad Badawi	2007	2,886,000,000	3,113,111,497	3,991,000,000	4,305,068,601	6,877,000,000	7,418,180,098	180,449,752,519	194,650,103,648	3.8
Tun Abdullah Ahmad Badawi	2008	3,418,000,000	3,496,727,490	3,490,000,000	3,570,385,881	6,908,000,000	7,067,113,371	202,640,721,366	207,308,186,381	3.4
Datuk Seri Najib Razak	2009	3,845,000,000	3,910,750,929	6,342,000,000	6,450,450,558	10,187,000,000	10,361,201,487	208,154,659,798	211,714,181,861	4.9
Datuk Seri Najib Razak	2010	4,502,000,000	4,502,000,000	7,381,000,000	7,381,000,000	11,883,000,000	11,883,000,000	212,444,592,538	212,444,592,538	5.6
Datuk Seri Najib Razak	2011	5,665,000,000	5,489,784,382	9,952,000,000	9,644,189,615	15,617,000,000	15,133,973,997	231,835,282,170	224,664,732,782	6.7
Datuk Seri Najib Razak	2012	6,219,000,000	5,928,032,409	7,502,000,000	7,151,004,846	13,721,000,000	13,079,037,255	254,845,208,475	242,921,796,942	5.4
Datuk Seri Najib Razak	2013	5,628,000,000	5,254,084,332	7,753,000,000	7,237,902,598	13,381,000,000	12,491,986,930	255,582,014,942	238,601,538,766	5.2
Datuk Seri Najib Razak	2014	5,646,000,000	5,110,273,043	8,309,000,000	7,520,591,341	13,955,000,000	12,630,864,384	260,129,160,752	235,446,517,501	5.4
Datuk Seri Najib Razak	2015	6,025,239,000	5,341,129,349	13,034,769,500	11,554,793,086	19,060,008,500	16,895,922,435	273,940,000,000	242,836,669,868	7
Datuk Seri Najib Razak	2016	5,984,170,800		14,325,709,600		20,309,880,400		267,224,000,000		7.6

Note: Inflation-adjusted to constant 2010 prices.
2015 & 2016 figures are budget numbers.

Prime Minister's Office Development Budget						
Year	Development Budget (RM)	Inflation Adjusted DB	Total Development Budget (RM)	Inflation Adjusted Total DB	PMD DB/TDB (%)	
2000	3,053,384,394	3,798,882,521	27,941,487,415	34,763,532,678	10.9	
2001	3,579,000,000	4,390,623,954	37,234,725,273	45,678,590,864	9.6	
2002	1,421,000,000	1,712,289,763	35,977,194,257	43,352,133,297	3.9	
2003	1,980,000,000	2,359,407,093	39,352,554,595	46,893,281,033	5	
2004	1,705,000,000	2,002,933,878	28,864,132,293	33,907,887,641	5.9	
2005	2,074,000,000	2,364,951,238	30,534,306,808	34,817,814,215	6.8	
2006	2,656,000,000	2,923,095,736	35,807,186,701	39,408,070,319	7.4	
2007	3,991,000,000	4,305,068,601	40,564,416,918	43,756,601,754	9.8	
2008	3,490,000,000	3,570,385,881	42,847,335,177	43,834,246,577	8.1	
2009	6,342,000,000	6,450,450,558	49,515,355,571	50,362,086,558	12.8	
2010	7,381,000,000	7,381,000,000	52,791,630,220	52,791,630,220	14	
2011	9,952,000,000	9,644,189,615	46,416,362,427	44,980,727,540	21.4	
2012	7,502,000,000	7,151,004,846	46,932,453,806	44,736,630,842	16	
2013	7,753,000,000	7,237,902,598	42,209,801,384	39,405,447,068	18.4	
2014	8,309,000,000	7,520,591,341	39,503,487,396	35,755,155,284	21	
2015	13,034,769,500	11,554,793,086	50,500,000,000	44,766,196,351	25.8	
2016	14,325,709,600		52,000,000,000		27.5	

Note: Inflation-adjusted to constant 2010 prices.
2015 & 2016 figures are budget numbers.